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March 11, 2013

BY ELECTRONIC MAIL

Bruce S. Rosen
McCUSKER, ANSELM, ROSEN, & CARVELLI, P.C.
210 Park Avenue, Suite 301
Florham Park, NJ 07932

Re: Response to Your February 26th Letter

Dear Mr. Rosen,

This firm represents Vivek Garipalli and several healthcare operating companies in which he has an ownership interest. Your letter to Mr. Garipalli dated February 26, 2013, contains a number of false, unsupported and defamatory accusations.

In the past five years alone, Prime Healthcare Services (Prime) has been making headlines locally and nationally. In news article after news article, one can easily find damaging stories about Mr. Prem Reddy, Prime's founder and CEO, concerning his heated disagreements with staff; claims made by trusted sources of questionable billing practices and up-coding at Prime's hospitals; horrific tales of scarring patient experiences under Prime's care; respected community members and institutions standing up to oppose sales of their community hospitals to Prime; and state and federal investigations into Prime's illegal activities. And those only scratch the surface.

During these same five years, our client's companies have made headlines for a markedly different reason: showing an unmatched commitment to improving the deeply troubled state of healthcare in New Jersey through drastic improvements to quality healthcare in Hudson County, New Jersey. Unfortunately, it appears from your letter that spreading lies and pointing fingers has become your client's priority, second only to his profit margins.

To the deceptive allegations made in your letter, we respond as follows.

You claim that Mr. Garipalli is illicitly interfering with Prime's contracts to acquire St. Mary's Hospital in Passaic, New Jersey, and Saint Michael's Medical Center in Newark, New Jersey. This is false, and Mr. Garipalli denies it. You offer no facts in support other than the false and defamatory allegations discussed below.

You claim that our client used his "political muscle" to disrupt Prime's contract to buy Christ Hospital in Jersey City, New Jersey, by creating the impression that it was a better "local" option. This is false and Mr. Garipalli denies it. On the contrary, the public record demonstrates that numerous local individuals and respected institutions, including another local hospital and local labor unions, lined up on their own to publicly oppose Prime's proposed acquisition of Christ Hospital. *See, e.g., Public Outcry Thwarts Deal; Move to Create Foundation Left to Attorney General*, MODERN HEALTHCARE, Feb. 12, 2012. Moreover, it was Prime's choice to walk away from that deal. *See Press Release, Prime Healthcare Services, Inc., "Prime Healthcare Withdraws Bid for Christ Hospital," Feb. 2, 2012.*

You claim that our client "scuttle[d]" Prime's effort to buy Christ Hospital in order to drive the hospital into bankruptcy so he could "buy it at a fraction of its value and leave taxpayers, creditors, and employees left holding the bag." This is false and Mr. Garipalli denies it. You ignore and insult the U.S. Bankruptcy Court's comprehensive and transparent process to ensure that the purchase of Christ Hospital was fair and reasonable. That process included an auction and related proceedings in which our client and another bidder competed fairly. Our client's efforts, approved by a federal judge, have been successful in saving the Hospital.

You claim that our client submitted a "sham bid" for Landmark Medical Center in Woonsocket, Rhode Island, in an effort to disrupt a contract that Prime signed to buy that hospital. This is false and Mr. Garipalli denies it. First, Mr. Garipalli did not submit this bid. His company, of which he is a shareholder, submitted this bid. Secondly, you offer no factual support for this allegation, and the public record is to the contrary. Our client's companies have been actively pursuing business opportunities in Rhode Island for nearly two years, long before Prime re-entered the Landmark bid process.

You claim that Mr. Garipalli "threatened" Mr. Reddy in various ways, including an allegation that our client said he would use his "political connections" to ensure none of Prime's deals would receive approval from state officials. A conversation between our client and Mr. Reddy did take place, but it was Mr. Reddy who made the threats. He warned that he was one of the most influential Republican fundraisers in the country and that he had all of New Jersey's top politicians and their advisors in his pocket, all whom would destroy our client if he dared to compete with Prime.

You claim that our client is conspiring with William McDonald, CEO of St. Joseph's Health System of Paterson, New Jersey, to spread misinformation about Prime in an effort to thwart Prime's efforts to acquire St. Mary's and Saint Michael's. This allegation is false and Mr. Garipalli denies it. It is also vague; you do not specifically state what misinformation our client has spread. Mr. Garipalli has not spread any misinformation about Prime at all. Further,

the news media in New Jersey, California and elsewhere has published numerous stories on Prime's poor corporate record without Mr. Garipalli's help. It seems Prime's complaint should be with the news media, not our client. Mr. Garipalli has indeed had conversations with Mr. McDonald and with other executives of New Jersey's hospitals about business issues affecting healthcare in the state. Any mention of Prime in those conversations concerned publicly available information about Prime.

Your attack on our client's father is beneath you. It is also irrelevant to the issues you raise and further underscores the reckless and intemperate nature of your accusations.

You allege that Prime "personally" provided "invaluable assistance" to our client in his acquisitions of Bayonne Medical Center and Hoboken University Medical Center, including introducing our client to Prime's "own lender." The claim is false and irrelevant to the issues your letter raises. Mr. Reddy met with our client in an effort to form a partnership with our client and his current partners to acquire Bayonne Medical Center. Our client declined Mr. Reddy's demand for 90% of the equity in that deal, and the negotiation ended. Mr. Reddy then threatened to buy Bayonne Medical Center himself. Other associates of Mr. Garipalli introduced him to his lenders in the Bayonne and Hoboken transactions, not Mr. Reddy.

While you blame Mr. Garipalli for Prime's poor reputation in New Jersey, you ignore the powerful forces that have publicly lined up against Prime, without any prompting from Mr. Garipalli. For instance, the Service Employees International Union (SEIU) has been very vocal in its national campaign against Prime and Prem Reddy, including publishing literature on studies conducted by itself and the California Department of Public Health that reveal inconsistencies in billing rates among Prime hospitals. *See Service Employees International Union, How Prime Healthcare Services' Business Practices Are Harming Patients, Consumers, Caregivers and Communities: A Primer on California's Largest For-Profit Hospital Chain*, April 2011; *see also* Tomoya Shimura, *State: Inaccurate Diagnoses at Some Prime Hospitals*, VICTORVILLE DAILY PRESS, June 18, 2011.

Government officials, community leaders, and organizations across the country have also opposed Prime. These officials include U.S. Representative Henry Waxman and former U.S. Representative Pete Stark, who made public in July 2010 that they requested the U.S. Department of Health and Human Services to initiate an ongoing federal investigation into Prime's Medicare billing practices. More recently, and despite its earlier public denials, Prime revealed that it is currently facing at least two federal investigations by the U.S. Department of Justice into its Medicare billing practices. *See Infection Investigation; High Rates of Septicemia Alleged at Prime Hospitals*, MODERN HEALTHCARE, Oct. 18, 2010; Lance Williams, *Prime Hospital Chain Acknowledges It Faces Two Federal Investigations*, CALIFORNIA WATCH, Feb. 6, 2013; Andrew Edwards, *Prime Healthcare Says It Has No Knowledge of Report That FBI is Probing Its Operations*, INLAND VALLEY DAILY BULLETIN, Dec. 13, 2011.

You also ignore the well-publicized litany of Prem Reddy's personal problems, some of which are listed below.

- Mr. Reddy was arrested for attacking a doctor in California by jumping over his desk and attempting to choke him. He was charged with a felony count of trespassing, one count of making a terrorist threat, and two counts of battery. *See* Daniel Costello, *Hospital Group Rejects System and Cashes In*, LOS ANGELES TIMES, July 8, 2007.
- Two nurses from a Prime-operated hospital sued Mr. Reddy, accusing him of, among other things, repeatedly reporting to work and treating patients while under the influence of alcohol, supported by Mr. Reddy's admission to the press of having an alcohol problem. *See id.*
- Media reports have featured former Prime employees describing Mr. Reddy as a "bully," accusing him of harassment and seeking restraining orders against him. *See id.*; *see also* Keith Darcé, *Doctor's Remedy for Hospitals in Dispute*, SAN DIEGO UNION-TRIBUNE, Nov. 19, 2006.
- The California Department of Healthcare Services' audits of Prime detail Mr. Reddy's attempts to couch outrageously extravagant personal items as expenses related to patient care (including maintenance and service for a helicopter, his Bentley car, and Las Vegas luxury hotel accommodations), resulting in over \$6.5 million in adjustments requested of Prime for such inappropriate expenses between 2008 and 2010. *See* California Department of Healthcare Services, Report on the Home Office Audit, Prime Healthcare Services, Inc., Fiscal Year Ending December 31, 2010; California Department of Healthcare Services, Report on the Home Office Audit, Prime Healthcare Services, Inc., Fiscal Year Ending December 31, 2009; California Department of Healthcare Services, Report on the Home Office Audit, Prime Healthcare Services, Inc., Fiscal Year Ending December 31, 2008.
- A *Los Angeles Times* article from 2007 stated that Mr. Reddy travels by helicopter with a full-time pilot on call and that his 15,000-square-foot mansion, valued between \$3 million and \$5 million, features gold-plated toilets and Lladro porcelain. *See* Daniel Costello, *Hospital Group Rejects System and Cashes In*, LOS ANGELES TIMES, July 8, 2007.

Finally, you ignore the most important origin of Prime's reputation, whether for good or ill: Prime's own corporate record, which includes the following actions listed below.

- Several published news reports claim Prime has suspended much-needed services such as chemotherapy, a birthing center, and mental health care because they were not profitable. *See* Barbara Ehrenreich, *Health Care vs. the Profit Principle*, HUFFINGTON POST, July 12, 2007; Daniel Costello, *Hospital Group Rejects System and Cashes In*, LOS ANGELES TIMES, July 8, 2007.

- Prime has a reputation for refusing to treat uninsured patients, including a patient with kidney failure and a 16-month-old baby with severe burns. *See* Daniel Costello, *Hospital Group Rejects System and Cashes In*, LOS ANGELES TIMES, July 8, 2007.
- Former Prime employees have disclosed the company's culture of illegal billing practices, including testimony by the former medical director of Prime's Desert Valley Hospital that Prem Reddy has described the emergency room as a "gold mine" of Medicare patients and has overstated patients' illnesses to increase revenue. *See* Christina Jewett & Stephen Doig, *Probe Finds Prime Has High Rates of ER Transfers*, SAN FRANCISCO CHRONICLE, July 26, 2011.
- In the last four years, multiple employees of Prime hospitals have filed lawsuits against Prime alleging unfair wage practices. *See, e.g., Karwecki v. Prime Healthcare Centinela, LLC, et al.*, Case No. BC421176, in the Los Angeles County Superior Court; *Lemon v. Centinela Hospital Medical Center, et al.*, Case No. BC482291, in the Los Angeles County Superior Court; *Balgos v. Prime Healthcare Services, Inc., et al.*, Case No. BC488621, in the Los Angeles County Superior Court.
- Last month California Watch published a one-hour recording of a presentation given by Prem Reddy to employees of a hospital in Texas that Prime recently acquired. In the presentation, Mr. Reddy discussed practices designed to boost the hospital's Medicare payouts and advocated the very billing practices for which Prime has repeatedly come under investigation. *See* Lance Williams, *Excerpts from Reddy's Presentation to Texas Doctors*, CALIFORNIA WATCH, Feb. 6, 2013.
- California Attorney General Kamala Harris has publicly rejected Prime's bid to purchase a hospital in California, stating that the sale was "not in the public interest." *See* Andrew Edwards, *Attorney General Blocks Sale of Victorville Hospital to Ontario Healthcare Company*, INLAND VALLEY DAILY BULLETIN, Sept. 20, 2011.
- Prime has recently lost its top three executives, all of whom reported to Mr. Reddy: the CEO, the CFO and the General Counsel. *See* Terrence McDonald, *CEO of Prime Healthcare Services, Which Sought to Buy Christ Hospital, Steps Down*, THE JERSEY JOURNAL, Feb. 24, 2012; Prime Healthcare Services, Inc. Website, Leadership Page (listing no CFO and an interim general counsel).

The above publicly available facts belie your assertions that Mr. Garipalli is the cause of Prime's reputation in New Jersey.

Mr. Garipalli has never engaged in any "illicit activities designed to harm St. Mary's and interfere with Prime's contracts to purchase St. Mary's, Saint Michael's and/or its efforts to purchase any other hospital in New Jersey," as your letter states. Any statement or suggestion to the contrary is false and defamatory. As public records show, our client is passionate about improving the quality of healthcare and ensuring that New Jersey residents keep their jobs, have

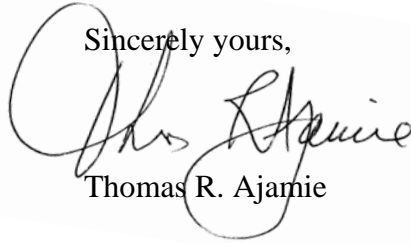
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access to quality healthcare, and trust the owners of their local community hospitals to put them first. Prime's and Mr. Reddy's public record shows just the opposite.

Mr. Garipalli and his operating entities will fully defend their business reputations against any further defamatory statements made by Mr. Reddy or Prime. He reserves the right to bring legal action against Prime for defamatory statements made by Prime both in your February 26, 2013 letter and in any other past or future venue.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas R. Ajamie", is written over a light gray rectangular background. The signature is fluid and cursive, with a large initial "T" and "A".

Thomas R. Ajamie